Investor's Reader

March 18, 1959

For a better understanding of business news

CHEMICAL PIPES FOR B F GOODRICH (see page 20)

MUNSINGWEAR BIRDIE

All set for spring on the links this pert golfer has no worries about her form as she cuts a spritely figure in her new "Penguin" golf shirt. Equally sprightly is shirtmaker Munsingwear Inc which continues to capitalize on the trend toward more sport and leisure-time clothes.

The Minneapolis-based company has driven some fancy shots to beat the much publicized textile slump. One of the oldest names in underwear, Munsingwear has expanded from its original lingerie line into hosiery, sleepwear, socks and sports clothes. It even participates in the Space Age through 70%-owned subsidiary David Clark which makes space suits. Much of the diversification was accomplished through three postwar acquisitions: Rollins Hosiery Mills of Des Moines in 1945; girdle-maker Vassar Company of Chicago in 1951 and the Hollywood-Maxwell Company of Hollywood with a complete line of bras in 1957.

Last year Munsingwear scored with a new line of coordinated lingerie and foundation sets. It also introduced "Slenderella" stockings. A co-venture with slimming-salon operator Slenderella International, the new stockings are shaded darker toward the sides of the leg to produce the same thinning effect as leg make-up used on stage. In addition to its specialty successes Munsingwear has called on a number of other advantages to buck the textile trend. It knits rather than weaves its fabrics and uses its own production for ready-made apparel.

All this has helped the 73-year-old company score some good gains. Volume for last year is figured around $38,000,000 or 13% over 1957. Earnings are estimated around $3.25 a share v $2.85 in 1957, a glossy showing for a badly tattered industry. To keep pace, Munsingwear common shares have risen from a low of 9 in 1950 to a recent high of 30 on the NYSE. However the capitalization is extremely small with only 370,000 shares outstanding so the market is very thin.

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BUSINESS AT WORK

RAILROADS
Chessie Cheers

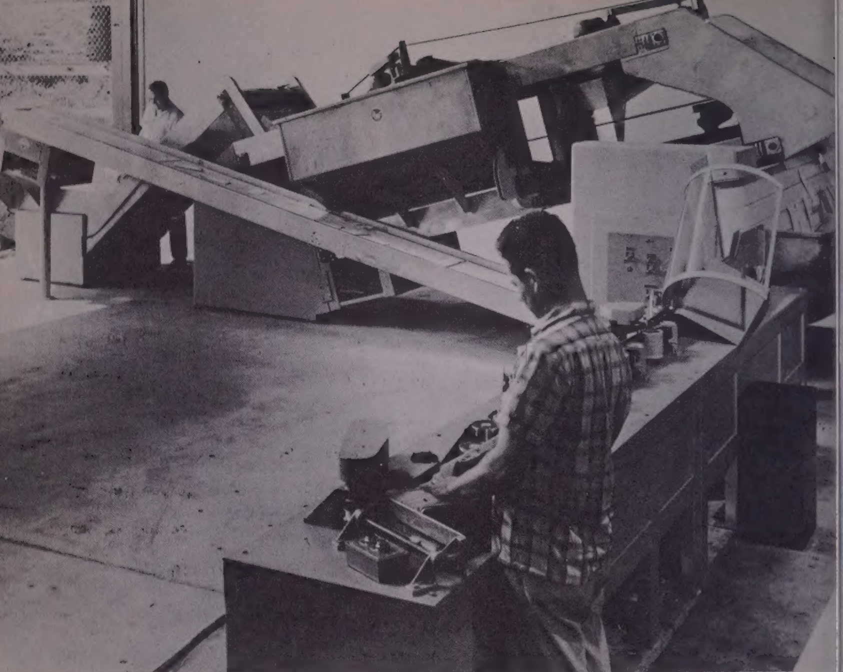
DESPITE the mounting cries of commuter deficits, truck & air competition, etc not all railroads have bogged down from such woes. One consistent money-maker: the Chesapeake & Ohio Railway. After winding up "the fourth best year in our history" the sturdy C&O is fast on the track to another profitable year. With carloadings 3.9% ahead of a year ago the C&O just announced net income for the two months ended February raced ahead to $6,860,000 or 84¢ a share from $5,050,000 (62¢) last year.

MANUFACTURING
AMF Mail Bag

IN ITS restless and generally successful tour of the processing machinery field from cigaret making (its first triumph) to pretzel twisting to bowling alley operations (now its biggest success) inventive American Machine & Foundry Company has now come to the aid of the mailman.

Last week it debuted what it calls its "almost human mail handling system." A tandem team of facing and culling machines, the new system is now undergoing test runs at the US Post Office lab in Washington, promises to relieve much of the fatigue in manual mail handling. It not only sorts and cancels letters and postcards, it is even smart enough to determine if a stamp is in the wrong position on a letter or not there at all and sorts such errant mail accordingly.

While an interesting development of AMF's active general engineering labs at Greenwich, Conn, the new gizmo—even if it can overcome competitive systems as well as the Government's penny-watching reluctance to automate—will probably not contribute much to AMF finances. For one thing it has a fairly



Test run for AMF culler

limited market. Sole customer: the US Post Office.

But the $226,000,000-assets machine maker has plenty of customers for its other products. Above all AMF continues to strike gains in the lucrative bowling field. For the second time in three years AMF automatic pinspotters were chosen to outfit the 38 lanes at the American Bowling Congress championships currently being conducted in St Louis. About 18% of company revenues are gleaned from pinspotter rentals plus sales of other bowling supplies. Last year AMF pinspotters were put in service on more than 10,000 lanes to bring total company installations to over 40,000. This year the company fully expects to see another 10,000 lanes sport its equipment. Best of all, the rental nature of the operation means continued revenues come in from all previously installed pinspotters with relatively little offsetting expense.

However bowling equipment is only the second largest segment of AMF business. Some 36% of revenues come from defense items; 11% is in wheel goods and welded products. Another 10% are sales of motors and relays. The rest: oil well equipment, tobacco, bakery and cigar machinery, power tools. AMF has also pushed its interest in atomics, is leader (and prime contractor) for a ten-company group which just completed a $4,500,000 nuclear research reactor at Plainsboro, NJ.

Thanks to such diversified doings AMF managed to bowl fairly unscathed through recession-battered 1958. While sales fell to $179,000,000 from $227,000,000, rentals increased to $46,000,000 from $34,000,000. Summing up, vice president David Meiklejohn figures "our profits will be only 10% less than the $11,800,000 or $3.51 a share reported for 1957." And AMF's colorful chairman Morehead Patterson cheerfully predicts the company "should establish record earnings in 1959."

PRINTING
Donnelley Manuscript

THE LARGEST commercial printer in the land, R R Donnelley & Sons Company, has just rolled off its presses a 28-page brochure specially designed to please its stockholders. Title: *annual report 1958*. Subject: "the second best year in the company's history."

Chairman, chief executive officer & treasurer Charles C Haffner Jr emphasized "in the face of a decline in the economy" Donnelley sales & earnings slid but slightly from 1957 levels. Volume eased less than 2% to $118,200,000. Profits came to $8,057,000 or $2.96 a share as against 1957's $8,092,000, also equal to $2.96 on slightly more shares.

Headquartered in Chicago where its forerunner was founded in 1871, R R Donnelley (IR, Jan 9, 1957) is a leading printer of magazines which at last revelation (for 1957) provided 47% of total volume with the various Time Inc publications alone accounting for 32%. *Look* and *Farm Journal* rank next. Mail order catalogs (led by Sears and Montgomery Ward) bring in 17%, telephone directories 13%, encyclopedias, religious & text books and other printing jobs the rest.

General Haffner (a veteran of both wars, he later commanded the Illinois National Guard in 1946-47) detailed the 1958 sales picture a bit. Magazine volume was hit by reduced advertising lineage but this was "largely offset" by some circulation boosts plus winning "a larger portion of some of our customers' work." Directory and catalog business increased a little over 1957 and while some encyclopedia and school book customers trimmed inventories, declines in this line were slight. Then Donnelley benefited from a "more intensive coverage of the whole printing market." And the company's "ability to control costs" kept profits as stable as sales.

Donnelley stuck by the "practice of many years of retaining the major part of earnings for growth." Hence it maintained the 20¢ quarterly cash plus 4% annual stock dividend pattern set when the first public stock was sold in 1956. Working capital during the year was boosted by $10,000,000 to a fat $40,000,000.

Growing Donnelley spent $11,300,000 on expansion last year with $9,700,000 in unspent appropriations carried over into 1959 and "further sizable appropriations anticipated." The company has enlarged its Chicago plants and added to its facilities at Warsaw and Crawfordsville, Ind. It moved into Willard, Ohio

with a plant begun in 1956 and greatly expanded last year. Now new locations are "under study."

One town eager to house the new Donnelley plant is Old Saybrook, Conn where the company reportedly has a 60-day option on a 35-acre site. While Donnelley admits its interest in an Eastern plant, it emphatically asserts "we have bought no property and have definitely reached no decision on any," politely but firmly declines to discuss what if any spots are under consideration.

At Saybrook however hopes run high for the $3,000,000 plant which could spell 150 jobs initially and perhaps twice as many later for the little (5,000 year-round population) community. Zoning changes have been initiated and a committee of civic leaders headed by First Selectman George C Benway met with Donnelley officials in Chicago.

Whether it goes to Saybrook or elsewhere, an Eastern magazine plant would make obvious sense for Donnelley. While Chicago is an ideal distribution center for books and catalogs, printing of deadline-conscious weeklies must be decentralized. Thus a new plant would put Donnelley in position to compete for a larger slice of business from Time Inc which uses other printers to run off its East and West Coast copies.

Meantime even conservative chairman Haffner voices optimism on the year ahead during which Donnelley will add *National Geographic* to its customer list. He states: "We anticipate 1959 will be a satisfactory year for the economy and for the company."

CHEMICALS

Monsanto's Foreign Properties

MIGHTY Monsanto Chemical Company ($860,000,000 latest reported assets) has given its 66,000 shareholders a peek into expanded worldwide operations. A full-color supplement to the colorful 1958 annual report illustrates activities not only in the US but in eleven foreign countries. All told these plants meant sales of $714,000,000 last year.

Monsanto first went abroad in 1920 when it bought 50% of a chemical works at Ruabon, North Wales. This was the start of over a dozen foreign subsidaries or affiliates which now supply a variety of organic & inorganic chemicals and plastics. Currently the parent company's stake in foreign interests approximates $60,000,000.

Officials of Monsanto are chipper about the potential of these assets. In 1958 overseas subsidiary expansion accounted for $15,500,000 or 21% of total capital expenditures; 1959 will see another $12,000,000 flow abroad. Here is where the money goes:

- Last year Monsanto raised its equity from 13% to 40% in Sicedison SpA, an Italian chemical company strategically located atop vital natural gas. Monsanto helped breed the successful company in 1951 and the proud parent says: "Under construction are plants for plasticizers, fluorine derivatives, expanded acrylonitrile [base for synthetic fiber] capacity and several other products. Near Milan a substantial research laboratory is nearing completion. Sicedison's sales have been climb-

ing steadily and despite heavy start-up expense its income has increased. We expect to subscribe to our proportion of new shares which this company will issue soon."

- Monsanto Chemicals of Australia almost doubled its physical plant last year through the purchase of Beetle Elliott Pty Ltd at Sydney.
- Spanish affiliate Etino-Quimica SA began operation of two new plants at Monzon.
- In France 50%-owned Societé Monsanto-Boussois expands on the strength of record sales, will soon open high-impact polystyrene (swell for toys) facilities in Lille.
- Mitsubishi Monsanto has scheduled another polystyrene plant in Yokkaichi, Japan.
- Wholly-owned subsidiary Monsanto Argentina has a vinyl resin (shower curtains, floor tile) plant under construction in Mendoza.
- A few weeks ago a new polyethylene (squeeze bottles) plant was opened at Fawley, Britain.
- Down in Mexico a sodium tripolyphosphate (a base for synthetic detergents) plant will go on stream this year.
- Monsanto will participate jointly in a plastics chemical, caustic soda producing operation to be built in Istanbul and financed by a $6,100,000 US Development Loan Fund grant to Turkey.

Growth overseas has been simultaneous with continued expansion in the US, resulting in quarter-by-quarter improvement in earnings last year. These factors are reflected in the price of the common stock on the Big Board. From a low of 30 last year Monsanto (Big Board ticker symbol MTC) has climbed to around 46. At this price it sells at 24 times last year's consolidated profits of $1.93 a share — a ratio which may seem high to the old-timers but is about in line with similar chemical stocks in this era of epic stock prices.

Monsanto in Japan

MANUFACTURING
Rheem Reconstitutes

IN THE postwar era of dizzying diversification Manhattan-based Rheem Manufacturing has been an ambitious and aggressive acquirer with eight corporate purchases in the 1947-56 decade. Originally a manufacturer of steel drums and water heaters, Rheem still does half its $150,000,000-plus annual business in these fields; the other half now comes from other heating and air conditioning equipment, plumbing fixtures, auto parts and defense work. The latter includes propulsion and missile systems, drone aircraft and assorted electronics equipment.

But this merger menu netted

Rheem robot takes off from truck

Rheem a case of corporate indigestion. After an unbroken procession of prosperous operations since its 1930 incorporation, the company reported a $9,680,000 deficit in 1956 and in 1957 earned only $1,970,000 or 70% less than the 1953-55 average. Even this modest recovery was halted by the recession and in the first half of 1958 Rheem again ran into the red. However president Angus Lightfoot Walker was recently able to report a better second half performance placed full-year results back in the black. Net came to about $300,000 after tax credits or 12¢ a share compared to 97¢ in 1957 and a peak $4.75 in 1950.

He added: "The company is still in the process of reconstituting itself." While this involves more streamlining and cost cutting efforts, one part of the "reconstitution" plan calls for still further expansion of Rheem's diversified product roster. In fact Lightfoot Walker has just added a "growth & acquisitions" department. Executive vice president Clifford Vernon Coons outlines: "Introduction of several new products and further property acquisitions are planned for 1959."

The first of the 1959 plans have been put into action. Last month Rheem acquired a "majority interest" in Thermovac Inc of Stockton, Cal which makes food processing equipment. Rheem had teamed with Thermovac last year to develop a special container to vacuum-pack food concentrates in huge 55-gallon drums. "Already used by at least two packers," the process offers large savings to canners distant from

their food sources. This month Rheem joined a group of 16 scientists and engineers to establish Rheem Semiconductor Corp to research, develop and manufacture semiconductors.

On the new product side of the 1959 program is an electronic reading machine designed by British affiliate Solartron Ltd which Rheem hopes to introduce in the US. In a current try-out in a British department store, the machine "reads" sales slips and relays the transactions to a connected computer which keeps a continuous inventory record. Cliff Coons feels the talented machine has "many long-range possibilities"—including perhaps a supermarket hookup where the shopper pushes buttons beside sample products, receives her filled shopping bag and bill as she walks out.

Another new entry: a ground-controlled reconnaissance drone, developed under an Army contract, which is launched from the back of a truck, parachutes back to earth after each mission (see picture). It has been successfully tested and vp Coons notes: "We're on the verge, we hope, of getting a production contract."

Rheem also stands to benefit from its overseas operations. Although sales of products made at Rheem's 17 US plants last year dropped about 20% below 1957's $189,000,000 and profits sagged far worse, the non-consolidated results from Rheem's 20 affiliates in 13 foreign countries "equaled or bettered" 1957. The affiliates passed on $400,000 in dividends to their US parent in 1957 and last year's payments were about the same as 1957—with a substantial but unannounced part of earnings plowed back into on-the-spot expansion.

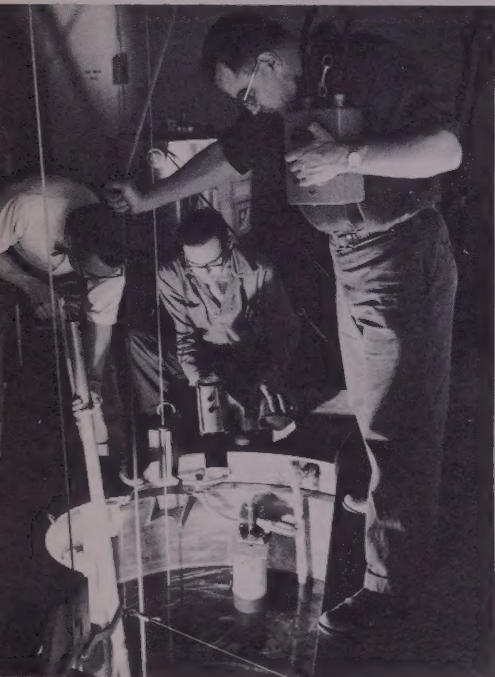
This year should also bring further recovery to established domestic operations. Aided by the building of new home construction to a high level, sales are climbing fastest in the company's Home Products division which makes plumbing, heating and air-conditioning units. Sales of bumpers and springs by the automotive division, which lost money in 1958, should also pick up this year. New orders for ordnance and missile hardware have been coming in but have not as yet made up for the loss of contracts for conventional aircraft parts which caused much of the slack in 1958 results.

In total, vp Coons feels 1959 "sales should be substantially the same as 1958's $151,000,000 but earnings should improve." However, Rheem shares have staged a partial recovery on the Big Board where they currently trade at 23 *v* a 1958 low of 10. The alltime high was 46 in 1955.

Rheem kept its string of unbroken dividend payments (started in 1936) alive by token payments of a dime each in 1957 and 1958 compared to $1 in 1956 and $2.40 in 1955. The only word on 1959: "The policy of management continues to be to pay dividends as conditions warrant." At any rate Rheem's cash position has greatly improved in the last two years with a current ratio of 3.4-to-1, the highest since 1946. Cliff Coons offers optimistically: "Rheem is again in a position to move forward."

GE ATOMS AND OUTER SPACE

Once upon a time a well yielded just a simple pail of water. But at the bottom of this well is a metal basket which contains 10,000 curies of powerful cobalt 60. When these atomic age technicians (or any one else) are in the room the radioactive basket is immersed in 16 feet of water. But when everyone is safely outside concrete walls a series of controls is used to slowly draw up the basket so gamma rays from the cobalt charge will penetrate every corner of the room. Fairly large pieces of equipment placed in the room can thus be tested for behavior under radiation.



The chamber is part of the new $1,500,000 facilities recently completed at the Schenectady engineering lab of General Electric Company. The new addition took five years to build, was set up to study effects of nuclear radiation on man's environment "from earth to outer space." For instance it will test effects of cosmic bombardment on space vehicles, instruments, and occupants.

In addition to its space-minded atom studies GE has a chain of terra firma nuclear projects which make it one of the leaders in the atomic energy field. To name a few: it developed a pressurized-water twin reactor for the submarine *Triton* and is working on a reactor system for the Navy's first nuclear destroyer. GE also built, owns and operates the world's first privately-owned power reactor, a 5,000-kw job which fuels a Pacific Gas & Electric generator at Vallecitos, Cal. It is also supplying the 180,000-kw reactor for Commonwealth Edison's Dresden, Ill all-nuclear plant, a project it unfortunately undertook on a fixed-fee basis. However with commercial atomic energy still long on promise and short on profits (see page 9) GE must rely on its more conventional electrical equipment, appliance and electronic lines for its bread & butter. Preliminary 1958 results: earnings of $2.78 a share v $2.84 in 1957.

ATOMS
Nuclear Headaches

WHILE General Electric studies atomic problems to be faced in outer space (see page 8), some other atomic energy pioneers have reported problems on present earth-bound projects. Almost since commercial A-power first became technically possible, optimistic planners have been discouraged by red tape, mushrooming costs and slow demand in the face of cheaper natural fuels (IR, Oct 1, 1958 *et ant*). The latest setbacks are but part of this chain reaction but they illustrate the ever-lengthening timetable for the arrival of competitive — and profitable — atomic power. The chilling items on "hot" projects:

- At hearings of the Joint Congressional Committee on Atomic Energy, Consolidated Edison senior vice president James Fairman recently disclosed completion of the New York utility's nuclear power plant at Indian Point will be delayed nearly a year because of unexpected technical changes (ie, change in nuclear fuel design after start of the project). The plant had originally been scheduled for completion in 1960.

To illustrate the "hardships of nuclear life" he also reported estimated total cost of the plant was now \$100,000,000 — almost twice the original price tag put on the project when it was started in 1955. The Indian Point facility will have a 275,000-kw capacity using both conventional fuels and nuclear power from a pressurized water reactor being built by Babcock & Wilcox.

- Late in December reactor builder Westinghouse Electric and the Pennsylvania Power & Light Company announced they were dropping plans to build a large-scale homogeneous type atomic power plant because such a facility would not be "technically feasible at this time." Since 1955 the two companies, with some help from the AEC, had been conducting research on building a 150,000-kw plant with a reactor fueled by a slurry of uranium and thorium in heavy water. The plant was tentatively scheduled for 1963 completion. It was to have cost approximately \$107,700,000 of which \$25,300,000 would have been put up by the AEC.

The companies had originally fixed the end of this year as the date for a decision on the project, were a year early in their abandonment announcement: "Westinghouse and PP&L can no longer justify their high rate of current expenditure in view of the technical infeasibility of building a large-scale plant without first developing and operating a prototype plant." Under their agreement with the AEC, the firms must now reimburse the commission for Government funds spent on the project.

- American Electric Power president Philip Sporn recently registered the wait-a-while attitude of many utilitymen toward A-power. He assured the Congressional committee there was no "urgent necessity" to achieve competitive nuclear power in some areas of this country within the next ten years "in the sense many of us feel an urgent

need to assure the elimination of any lag in the field of guided missiles." In fact he felt there was rather a "grave danger" nuclear power development would be overemphasized to the detriment of finding new sources of conventional fuels.

President Sporn projected the US will by 1975 consume 2 trillion kwh of electricity (triple 1957) with no more than 7½% of this generated by nuclear power. However he did not dismiss the atom's role for the distant future. By the year 2000 he envisions A-plants will supply some 55% of the nation's 6 trillion kwh needs.

WALL STREET
McDonnell, Neptune Move

TWO LONG-TIME American Stock Exchange habitués are about to take up residence in the fancier environs of the Big Board. The pair: 20-year-old, $150,000,000-assets McDonnell Aircraft Corp (ticker symbol MAC) and 67-year-old, $30,000,000-assets Neptune Meter Company (NPM).

St Louis-hangered MAC is headed by 60-year-old James Smith McDonnell Jr who left his chief project engineer's job at Glenn L Martin and (with backing from the air-minded Rockefellers) founded the company carrying his name in 1939. Princeton and MIT-trained "Mr Mac" now controls 36% of the 1,650,000 outstanding shares. Since the company's start, president Mac held cèrtain rights which entitled him to purchase transferable warrants for four additional shares whenever the company sold five new shares. Among other considerations this assured him the opportunity to retain a controlling stake. He has now surrendered these rights to the company for $100,000 to pave the way for listing on the NYSE which will take place March 31.

An airframe subcontractor during War II, McDonnell won its first production contract in 1945 for Navy FH-1 Phantoms. Since then it has launched a growing squadron of Navy and Air Force jets plus some missiles.

Prosperous McDonnell multiplied sales tenfold between 1949 and 1957 and volume jumped another 32% to $442,000,000 during the year ended last June 30. Earnings rose to $10,030,000 or $6.33 a share from $9,670,000 ($6.09 adjusted for a 4% stock dividend) in fiscal 1957 and less than $3,000,000 annually in the years up to 1952. The trend continued in the first half of the current fiscal year with sales up 5% in the six months ended December and earnings at $2.65 a common share *v* $2.59.

The outlook is brightened by some major awards recently snared by MAC. In December its F4H-1 won a tense competition with Chance-Vought's F8U-3 for all-weather interceptors. The Navy had ordered 23 of the two-man, two-jet, Mach 2 craft for $189,000,000; now a $61,000,000 "follow-on" contract is under negotiation. Also in December the Air Force awarded the company a $136,500,000 contract to continue its famed Voodoo series. The order is for the F-101B version,

a missile and rocket-armed interceptor.

As a payoff to over a year of company-paid preliminary research, MAC this January beat out eleven rival proposals for development of the first US Man-in-Space capsule. The National Aeronautics & Space Administration gave the company a $19,450,000 contract for "Project Mercury" which aims to send a man into orbit and bring him back within 24 hours. The space capsule may be ready in two or three years. MAC also has some missile contracts including the Green Quail decoy device. It is also developing a "highly classified" air-to-surface missile which is presumably part of the competition for a bomber-launched intermediate range ballistic missile.

Compared with supersonic MAC, fellow Big Board candidate Neptune Meter is more earthbound. Water meters contribute half the Jersey-born, Manhattan-quartered company's sales but it also has a toehold in the aircraft & missile world. Wholly-owned Revere Corp of America makes various fuel systems components, the latest being a measuring device for "in-flight" refueling. Other products include "in-motion" weighing equipment used for loading railroad cars and planes; also a thermocouple wire which measures temperature in highly inflammable grain elevators.

Neptune has also grown over the years. Sales have multiplied tenfold since 1938 to a record $37,300,000 last year. Earnings rose to $2,855,000 or $2.70 a share from $2.59 the year before though they remained below the 1956 high of $3.50 a share. In the past year the stock has risen from 20 to a record 39. Quarterly dividends of 35¢ provide a yield of not quite 4%.

McDonnell yields are not so generous. The company went on a 25¢ quarterly dividend basis last year which right now brings a return of a little over 2%. However the cash handout has in the past four years been supplemented by small stock dividends. Meantime the stock which dove from its alltime high of 45 in 1957 to 18 later that year had by last week soared back up to just about touch its old high—surpass it if one adjusts for stock dividends.

DRUGS
Rexall Presents

AT THE International Trade Fair in Poznan, Poland this June the Rexall Drug Company will present a peephole through which half a million Iron Curtain citizens can view an important slice of American life. The West Coast druggist has been asked by the Commerce Department to exhibit a model drugstore "to emphasize to the people of Poland that in the US the customer is king, and that our producers design and manufacture goods to suit them." Rexall president Justin Dart comments: "We are delighted to have the opportunity to show a Rexall Drug store in a Communist bloc country."

Rexall is well equipped to demonstrate the richness and diversity of the corner drugstore. The 57-year-old company manufactures and distributes some 5,000 products rang-

ing from pharmaceuticals and chemo-plastics to cosmetics throughout the US, Canada, Britain and South Africa. It owns a chain of 160 stores, has franchised 13,550 more and also operates through 280 independent retail agencies.

Last year Rexall harvested one-third of its volume from chemo-plastics, one-third from proprietary drugs. Ethical drugs brought in another 15%; so did the retail stores. President Dart feels "the company's present trend in sales with a stress on chemo-plastics and proprietary drugs will continue." Even though Rexall sold its proprietary VCA (for Vitamin Corp of America) division to Lanolin Plus last month it still has a big stake in proprietaries through its own Rexall-branded products (aspirin, vitamins, etc).

Rexall's chemo-plastic lines include plastic pipe and polystyrene plastic molding powder. They have been fortified by four recent acquisitions. Biggest was Tupper Corp, Woonsocket, R I producer of industrial plastics and houseware items which was acquired in September for 175,000 shares of Rexall common and "a substantial cash consideration." In August Rexall bought Chemtrol Company of Lynwood, Cal which makes plastic valves. Carnegies Ltd of Welwyn, Britain, a producer of fine chemicals, was acquired in December. Then last month Rexall bought Chippewa Plastics of Chippewa Falls, Wis which manufactures polyethylene film.

Rexall also enjoys a thriving ethical drug division thanks to such products as Disipal, a muscle relaxant, Veriloid, an agent for lowering blood pressure, and Deaner, a mild mental stimulant introduced in mid-1958.

Fundamental to continued growth of these lines is an expansive Rexall research program. President Dart states: "This year the research budget calls for $2,500,000 or a 15% increase over 1958." Much of this is slated for "the fields of anti-depressors, vascular diseases and psychogenic [mental illness] therapy." Some will go into vitamin applications and cosmetics. Petrochemicals—especially polyethylene, polystyrene and the olefins—will also be on the Rexall research calendar.

To cover the cost of its diversifying efforts Rexall has drawn mostly on funds "realized from the sale of a large number of unprofitable or marginal retail stores and certain manufacturing facilities." In the last decade Rexall has reduced the number of company-owned stores by almost two-thirds.

This investment in new lines and products has brought greater health to Rexall finances. While figures for 1958 are not yet out Rexall sales are estimated around $180,000,000 or 7% above 1957 "and we should earn $1.85-to-1.90 a common share." This compares with $1.45 chalked up in 1957.

When asked to comment on these brighter profits president Dart noted: "Chemo-plastics have contributed the bigger part. Our ethical drugs were an additive; they're not the wild blue yonder but they have capacity for the long pull." To cite

one of the new ethical drugs: "Deaner is a good item but does not account for the major increase in earnings."

For the future president Dart would only predict "a further substantial increase in sales and earnings." More voluble Wall Streeters predict a minimum net of $8,000,000 or $2.25 a share for 1959.

APPLIANCES
Whirlpool Spin

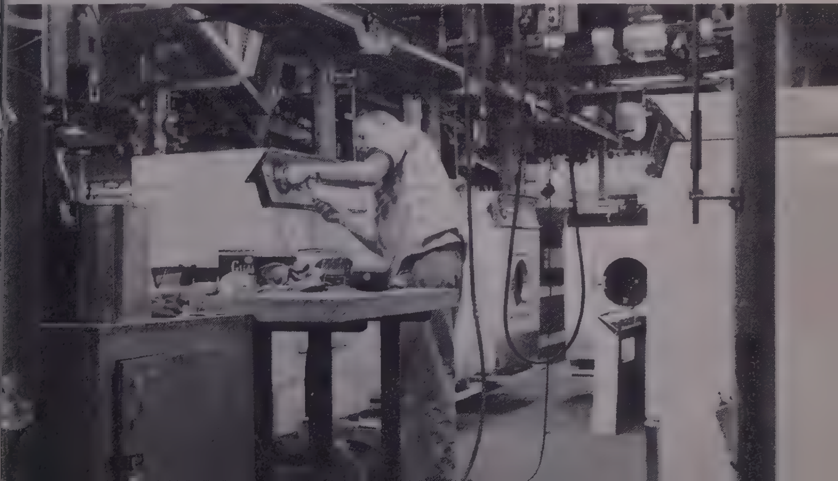
LONG DESIGNATED leader in the home laundry field $218,000,000-assets Whirlpool Corp now competes with industry giants General Electric, Westinghouse and General Motor's Frigidaire as a diversified appliance maker. While home laundry equipment still accounts for over half of company volume, refrigerators and air conditioners bring in roughly a third and stoves and other appliances about 12%.

The Whirlpool switch from a "monoline" to a full line producer came about through the 1955 merger with Seeger Refrigerator and the stove and air conditioning divisions of RCA. Its line was further expanded with the April 1957 purchase of Birtman Electric (vacuum cleaners) and the January 1958 acquisition of the appliance facilities of Servel Inc. RCA and Sears, Roebuck each own over one-sixth of Whirlpool's 6,170,000 shares and about 60% of Whirlpool output is private label goods for Sears.

Saleswise the combination has been a sturdy one. Since that time despite the big 1955-56 housing slump and the acute recession woes of an over-expanded appliance industry Whirlpool has managed to swell sales to a new record each year. Even last year, which spelled a big decrease for many competitors, Whirlpool volume inched ahead to $404,600,000 from $402,300,000 the year before.

Profitwise the picture is not as clean. Net income fell 19% in 1956, an additional 27% in 1957. However last year the dip eased considerably as profits declined only 4% to $10,-

Whirlpool washer-dryer assembly line



180.000 or $1.54 a share from $10,-000.000 ($1.61) netted the year before. Whirlpool president Robert Brooker said this decline came because "we were selling out of inventory during a large part of the year, increasing the burden of cost in our plants because we didn't have full production. In addition lower prices generally in the appliance industry during the early part of 1958 hurt earnings somewhat." Last year's net also declined because of "substantial charges" stemming from the Servel acquisition and from "retooling costs connected with the company's 1959 electric refrigerator line."

With 1959 housing starts figured at approximately 1,200,000 and home laundry equipment consumption estimated at 5.130.000 units (third largest in industry history) Whirlpool looks for a big boost in 1959 sales and earnings. Vice president Walter Holt predicts "sales will be up across the board in the appliance industry." Adds president Brooker: "Our earnings outlook for 1959 is substantially brighter than in 1958. We've set 5% as a goal for our net return on sales [*v* 2.5% in 1958] and there's every reason to believe we'll make it."

Certainly 1959 has started well. January shipments "were right on schedule" with the anticipated sales increase. According to president Brooker the first quarter should show a "minimum" gain of 10% over the depressed sales in the same period last year while earnings should show "a considerably sharper gain."

The future Whirlpool picture also boasts an expanded product line. This includes the first Whirlpool-produced automatic washer for self-service commercial laundries which was introduced late last year. And in 1960 the company plans to market a thin-walled gas refrigerator which uses polyurethane for insulation rather than glass wool.

RETAIL TRADE

Genesco Eyes Bigger Profits

IN THE REALM of predictions chairman Maxey Jarman of Genesco Inc (which changed its name this month after 35 years as General Shoe Corp) recently went out on a limb. At the March 2 annual meeting he estimated earnings for the 1959 fiscal year (ending October) "would be around $2.50 a share." Net sales are expected to approximate a quarter billion. To meet this Genesco has a way to go. In fiscal 1958 it tallied net sales of $218.000.000 and profits of $5.320.000 or $1.89 a share.

Genesco is one of the top four shoe producers (Jarman, I Miller, Ingenue, Mademoiselle, etc) and much of chairman Jarman's enthusiasm stems from the current big upswing in shoe inventories. Retailers are rebuilding their stocks after the recession's inventory trimming. But shrewd Maxey Jarman has other aces in his sleeve. "We expect a broader diversification of our business and anticipate development of broader methods of retailing and manufacturing in all kinds of things people wear." In fact "we changed our name to provide a more encompassing identification to our diversified and ever-growing operations."

Already the $108.000.000-assets

shoemaker has a big foot in retailing. Besides a series of shoe chains through which it markets its footwear (many are also sold through leased departments in independent retail outlets) Genesco owns apparel stores Whitehouse & Hardy, Frank Brothers-Fenn-Feinstein and Henri Bendel. Through an 80%-plus interest in Hoving Corp, it controls the Bonwit Teller chain and elite jeweler Tiffany & Company.

As a first step toward further diversification the company recently announced it hopes to go into the manufacture of men's clothing, "probably through an acquisition." Currently Genesco is "negotiating with two companies, one in the men's apparel field. But successful conclusion of these possible acquisitions is not too probable."

As for further expansion in footwear Genesco is barred under a 1956 antitrust consent decree from acquiring "most" other shoe businesses before 1960. However in 1958 it received approval for purchase of Safety First Shoe Company, a maker of men's shoes. What is more, the decree does not affect internal expansion so Genesco plans to open about 50 retail shoe stores this year. It plans to move "with great strength" into low-priced women's shoes and also place "special emphasis" on the manufacture of children's shoes. These fields have grown faster than men's footwear.

Genesco also keeps step with new shoe developments. One possibility: future shoes may be made of a chemically-treated leather which will never need polish. A swish with a cloth will restore their original luster. Other new items: inexpensive plastic shoes which are now in experimental production and a synthetic rubber treatment to permit longer wearing lighter weight soles. "This is in limited use."

So far this year Genesco has made big strides. For the first quarter ended January sales expanded 14% to $62,600,000. Net income rose twice as fast to $1,600,000 or 53¢ a share from $1,255,000 in the same period last year. Genesco stock reflects these gains, now trades on the Big Board at a fancy 34, up almost 15 points from the low last year.

WE HEAR FROM . . .

Rank Rate

NEW YORK CITY

GENTLEMEN:

In your recent article on the McCall Corporation in the February 4th issue of INVESTOR'S READER, there are two mistakes in fact concerning *McCall's* magazine which we would like to bring to your attention.

It is incorrectly stated that *McCall's* ranks third in circulation among women's magazines. Actually, based on the Audit Bureau of Circulation figures for the first six months of 1958 for women's magazines, *McCall's*, with 5,350,140 copies sold each month, ranks a close second to the *Ladies Home Journal* with 5,695,399 and almost a million copies ahead of *Good Housekeeping* with 4,367,766.

Then you say that in 1958 "the magazine slipped from 10th in advertising revenue among the top 16 to No 13." Actually *McCall's* is currently 10th in advertising among all magazines. Apparently your figures include the revenue of the three weekly newspaper supplements which are not classified as magazines according to the Magazine Publishers Association.

Very truly yours,
GEORGE H ALLEN
Assistant Publisher and
General Manager, *McCall's*

Well Regulated Growth at General Controls

California Company
Buys & Builds
To Gauge New Goals

THE CONTINUOUS profits squeeze has made most manufacturers eager candidates for purchase of new productivity-increasing, cost-cutting machinery. One beneficiary of this industrial automation trend is $25,000,000-assets General Controls Company of Glendale, Cal (IR, April 3, 1957). The nation's No 3 controller (after Minneapolis-Honeywell and Robertshaw-Fulton), General turns out a full line of automatic controls both for industrial equipment and for appliances, heaters, air conditioners, aircraft, etc.

Treasurer H V ("they're only initials") Nichols maintains "our outlook is good in all divisions" but pinpoints "our industrial control lines have the greatest growth potential. They fit in with efforts to increase productivity, effect manpower savings. I see a larger percentage increase in industrial lines than in the heating and appliance fields."

General motor controls production

Over the past ten years industrial controls have already metered a growing part of General's growing sales. They now account for 30% of company volume *v* only 14% a decade ago. On the other hand heating & air conditioning controls now make up only 40% of volume compared to 60% in heating and "not much" air conditioning ten years ago. Appliance controls take a slightly larger slice (20% against 18%) than previously and aircraft controls and electronics work have also inched up to a combined 10% of volume compared to 8% ten years ago. Ultimately, executive Nichols reveals, "we hope to get industrial controls up to 40% of our volume."

Another long-range goal: "In the next five years we aim to double our sales volume and we have set our sights on improving profits before taxes to at least 12%." General had achieved doubled volume in the five years ended 1957 but its margins narrowed. Sales advanced from 1952's $13,700,000 to $29,900,000 in 1957 while net income pushed from $713,000 ($1.12 a share adjusted) to $1,190,000 ($1.29). Pretax margins were squeezed from 14.3% to 8.2%.

Last year sales again moved ahead to a record $33,800,000 while net came to a high of $1,440,000 or $1.49 a share on a slightly improved

8.8% pretax profit ratio. This year treasurer Nichols figures sales should again register a new peak of "$38,000,000-plus and we should make 10% before taxes on that." If General could accomplish this, it would mean earnings in the neighborhood of $2 a share.

General's growth has been achieved by internal building and external buying. Moneyman Nichols figures: "Our increases in the past five years have been 50% internal development and 50% acquisition. We expect the same in the future."

One internal example: the company has designed an electronic air-data computer for military and commercial aircraft applications which offers the advantages of "less weight, less space, less cost." Another growth move: General this year has set up a German subsidiary to distribute and in the near future manufacture controls in Europe. Planner Nichols hopes "it will become a very important item in our business; we intend to get into other countries as the picture shapes up and grows."

Externally, General Controls has been a busy buyer. In March 1957 it added mechanical & electrical counting device maker Production Instruments Company of Chicago. Seven months later it picked up the Tork-Master division of Harvill Corp which makes electric valve operators. In January 1958 it acquired the Hammel-Dahl Company, a manufacturer of pneumatically-operated control valves. Just last month industrial valve maker Foster Engineering Company of Union, NJ joined the General family.

Treasurer Nichols comments: "We're on the lookout all the time, investigating companies with a product line compatible to ours. If it's feasible we pursue it. However the price on acquisitions is really soaring. We don't believe in taking one on unless it can carry its own in earnings and dividends." The company has shown a preference for paying in stock rather than cash.

Currently General Controls has 866,000 shares of common outstanding with about one-fifth management-held. The stock trades around 32 on the Big Board, a point or so below the recent alltime high and well over double the 1958 low of 14. Ahead of the common is $4,120,000 in long-term debt and 97,500 shares of $1.50 preferred. In addition 8,000 shares of $4.50 convertible preference stock will soon be issued in connection with the Foster purchase.

Treasurer Nichols expects General Controls "may do some equity financing sometime in the future" but for the time being the $1,500,000 in 1959 depreciation charges should be sufficient to satisfy plant & equipment expansion requirements. This year General will complete expansion of the Hammel-Dahl plant in Providence to make room for relocation of the newly acquired Foster operations, finish a new aircraft & electronics building at Glendale, Cal.

"At this point" General Controls has "no plans to increase the 15¢ quarterly dividend." However financeman Nichols envisions: "If operations measure up to expectations, we would consider supplementing the cash dividend with stock."

At the Sonotone Listening Post

Hearing Aid Maker's Diversification Powered by Nickel-Cadmium Batteries

THE ANNUAL REPORT mailed this week to the over 5,000 stockholders of Sonotone Corp shows a drop from the 1957 record volume of $22,300,000 and earnings of $880,000 or 81¢ a share (a non-recurring $125,000 tax credit further lifted 1957 results to 93¢ a share). Dapper president Irving I Schachtel summarizes: "Sales were down 3% last year and profits off 10%." This worked out to earnings of 71¢ on the 1,070,000 common shares now outstanding — some 50,000 more than a year ago due to a steady trickle of preferred conversions.

The lower 1958 results are attributed to the field which gives Sonotone its greatest glamor and probably represents its brightest long-range prospects: nickel-cadmium batteries. Their sales were hit by reduced military orders. The company experienced no slump in the hearing aid business, its mainstay since incorporation 30 years ago.

Though Sonotone started some diversification after 1944, hearing aids still account for over half its sales. And president Schachtel figures the future for hearing aids is brighter than ever thanks to increasing longevity as well as more effective and attractive instruments as witness the growing popularity of "off-the-body" aids. Irv Schachtel estimates "3 - to - 5,000,000 people need hearing aids and only a little over 1,000,000 have them."

Sonotone and Zenith have long maintained industry leadership. While neither releases any breakdowns some outsiders believe Sonotone is ahead in dollar volume while Zenith sells more units. Both companies work hard to assure retention of their strong position in the growing market. Thus Sonotone has rapidly introduced new models. The newest instruments can be worn behind the ear or concealed in an eyeglass bar. They also provide automatic volume control.

Battery Boost. Sonotone was the pioneer US producer of the sintered-plate, nickel-cadmium battery which was first developed in Germany. It is considerably more expensive than an ordinary dry cell battery. But it can operate at extreme temperatures from 65° F below to 165° above zero. It can be fully recharged in a matter of minutes giving it a longer life than even considerably heavier wet cells.

Because of these advantages the batteries are particularly suited to jet aircraft and missiles. They are in use on all the B-47 jet bombers, many B-52s, B-58s and fighters as well as "every domestic commercial jet now flying or in production." Sonotone also reports Capital Airlines has converted its Viscounts to nickel-cadmium batteries for a $50-to-60,000 annual maintenance and replacement savings.

The 48-year-old Sonotone president who is always ready to demonstrate his aircraft-type battery and its component cells (see picture)

adds: "We have just received a $1,-800,000 Government contract for jet batteries. We also equip many missiles including the Titan ICBM, Thor IRBM, Polaris, Redstone, Nike, etc. The battery division has the most attractive prospects in our business and we have started the year with the biggest backlog in history." He estimates over a fifth of this year's sales will come from batteries.

A "very exciting" development in this field is a sealed cell battery which can be recharged thousands of times by merely plugging it into an ordinary outlet overnight. The principle has been used on some European-made auxiliary pocket flashlights but the Sonotone development is capable of more delicate military use. Providing considerably more power relative to size than standard batteries, the sealed cell unit can be made in sizes ranging from tinier than the smallest to larger than the biggest regular flashlight battery. Aside from defense electronics Sonotone plans to use the new battery in portable TV sets, medical instruments, flashlights.

Diversification has also led Sonotone into other fields. Electron tubes for military, sound reproduction and tabulating machine use accounted for 15% of 1958 sales. Rounding out the product list is a new stereophonic pickup. This low-priced cartridge is sold to more than 25 phonograph manufacturers, will play all existing records along with stereo discs and Sonotone expects a profit pickup from the stereo boom.

All in all Irv Schachtel feels 1959 should prove a banner year for the

Sonotone president Schachtel

small ($10,000,000-assets) company whose headquarters and plant are nestled in suburban Elmsford, NY. "Everything we've got is on the up. Volume should increase by at least 10%" and while refusing to pinpoint any percentage he did note "there should also be some improvement in profits."

However he shrugged off the question of raising the present 7¢ quarterly dividend (maintained since 1956), at least as long as "further expansion and automation of equipment is needed." But on the Amex the common shares have clearly reflected considerable growth hopes. Since early last year they have more than doubled, last week sold at an alltime high of 12.

The Diverse Treads of B F Goodrich

Profit Elasticity in Chemicals Adds Bounce To Tiremaker's 1959 Hopes

NINETY YEARS ago young Dr Benjamin Franklin Goodrich decided to take a fling in the business world, acquired small Hudson Rubber Company of Hastings-on-Hudson. Convinced of the wisdom of "Westward Ho!" he decided to move the factory to the Midwest. He settled in Akron where he established the B F Goodrich Company and the industry nucleus which was to make the Ohio city the rubber manufacturing capital of the world. Today Akron is the home of four of the nation's Big Five tiremakers (the holdout: Radio City-centered US Rubber).

In its growing up process, No 4 tiremaker GR (as it is known on the Big Board) continued the pioneering spirit of founder Goodrich. It produced the first commercial tires for "horseless carriages." It turned out the first synthetic rubber for tires in the US. It introduced the first tubeless tires. It was the first to develop polyvinyl plastic materials. since then has pioneered diversification in chemicals in a big way as exemplified by a whole complex of plants in chemical boomtown Calvert City, Ky (see cover). In fact by 1946 Goodrich became the first of the Big Four to derive more than half its sales from non-tire lines. By contrast, Goodyear and Firestone are still some 60% in tires.

In true frontier tradition, this pioneering has occasioned both ups & downs. The heavy concentration in chemicals was one reason B F Goodrich (the company always likes to use the initials with its name to lessen confusion with Goodyear) results rolled somewhat behind those of more tire-cushioned industry leaders in recession-tinged 1958. The company experienced almost across-the-road reductions in demand last year except in replacement tires and aviation products. While sales dropped 5% to $697,000,000, earnings deflated at twice that ratio. They came to only $35,500,000 or $3.95 a share compared to the $39,400,000 or $4.40 earned in 1957.

President Jefferson Ward Keener explains: "The chemical business is a low-manpower operation which requires a large fixed investment. Also, a large portion of the costs are fixed regardless of volume. However in tire making, labor costs—a large expense—can be varied somewhat with volume." Conversely the beleaguered chemicals will also yield an extra upward bounce in times of recovery, should do much to pull earnings up this year. Ward Keener figures: "There's a high profit-elasticity in chemicals because costs are fixed. When volume rises, profits should rise even more rapidly."

The economics of elasticity are familiar to rubberman Keener. After graduation from Birmingham-Southern College in 1928. the Alabama-born executive got his master's in business administration from

the University of Chicago. He went on to teach business administration at Ohio Wesleyan until 1937 when he came to Goodrich to put his lessons into practice. He confesses: "I wasn't employed by B F Goodrich until four years after I first applied."

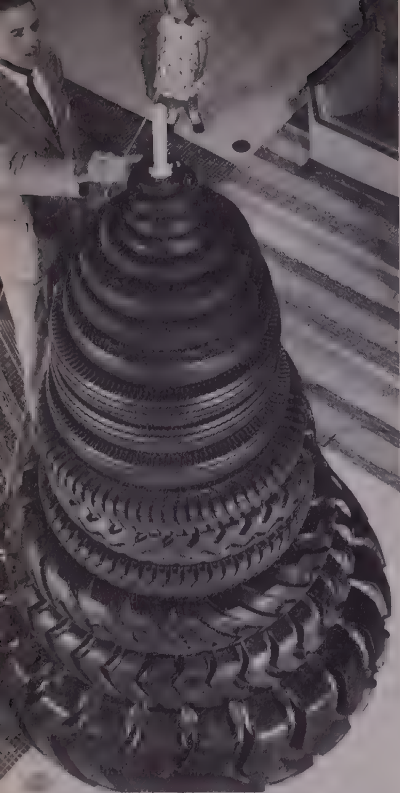
At Goodrich economist Keener worked as a special analyst until 1942 when he founded the company's business research department. A year later he was named assistant to the finance vice president and in 1945 became assistant to president (now chairman) John Collyer. In 1946 he was made a vice-president and by 1956 he had moved up to executive vp. The next year he was elected president of the company, last October assumed the added duties of chief executive officer.

Building Blocks. Although Ward Keener insists: "I'm not a technical man by training, experience or inclination," he knows his chemicals as well as his economics. He describes GR operations in its adopted field: "We make polyvinyl materials, specialty synthetic rubbers, a wide range of rubber chemicals, acrylonitrile and materials and compounds based on these. We start out with these basic building blocks to produce a wide chemical line" ranging from synthetic rubbers to rocket fuel components. Synthetic rubber is produced both by wholly owned B F Goodrich Chemicals and by Goodrich-Gulf Chemicals, a joint offspring of Goodrich and Gulf Oil.

Chief catalyst Keener

Despite last year's reaction, chemicals are stars in Goodrich's modern performance. "New fields tend to expand faster than your older, established field." To precipitate still more growth, the company follows an aggressive research program which has successfully added new markets and new items. One new item: a rigid resin which puts vinyls into the construction field, makes them competitive with aluminum and copper for pipe, sheets, extruded shapes, etc. "In terms of pounds, rigid vinyl uses alone could be as great as current total vinyl consumption."

Other recent developments: Carbopol, a versatile chemical thickening agent for cosmetics, pharmaceuticals, paints, lubricants and other products; Darvan, a synthetic fiber slated to compete with the acrylics (Orlon, Acrilan, etc) and polyesters (Dacron, etc). Ward Keener offers proudly: "It's a darn good fiber. We



Tenth birthday for tubeless tires

are conducting exhaustive market tests to get the complete picture on where Darvan best fits in; then we'll decide about production."

In the present but still futuristic realm of rockets & missiles, Goodrich concentrates on rubber-based binder materials for solid propellants. It also operates a rocket motor test center at Rialto, Cal which does some production work. Other non-chemical space age interests include manufacture of IRBM and ICBM nose cones and equipment for missile launching systems.

However, 50-year-old Keener has a down-to-earth view on too-broad expansion: "Successful diversification represents extension of some technique in which you already have proficiency * * * Most of our interests have basically come from rubbers and we know as much about rubbers as anybody in the world."

Multi-ply Pickup. Goodrich's rubber know-how can be traced to tires—which are still the company's No 1 product. In addition an important segment of GR volume is in such items as rubber industrial goods, sponge and foam rubber products. Happily the current tire picture reinforces the "elasticity factor" of its chemical operations to add further resilience to Goodrich's 1959 outlook. Business researcher Keener reports: "In 1958 we expected total passenger car replacement tire sales of 58,000,000 units for the industry and we got a 61,000,000 year. This year we hope for 63,000,000. Total shipments for all types of tires are expected to hit a new record of 114,000,000, more than 10% above 1958. As for original equipment we see a market of about 5,500,000 new autos this year [*v* 4,250,000 in 1958] and about 1,100,000 trucks [*v* 870,000] but I hope both beat those figures."

Also while many Detroiters may not agree, Ward Keener sees a boon in the current small car craze. "Generally small cars are second or third cars. I feel they will help the trend to three-car families—one for Pop, one for Mom and one for the youngsters." For himself however, lanky six-footer Keener hopes for "a car I can wear my hat in."

Goodrich's chief original equipment customers are General Motors, Ford and fast-rambling American Motors plus the trucks & tractors of International Harvester and also the other major farm equippers: John Deere, Allis Chalmers, Oliver, J I Case, Minneapolis-Moline. The more profitable replacement market is covered by 25,000 independent tire outlets and 470 company-owned stores (which also carry everything from toys to TV sets). Ward Keener explains: "We expand the market by the best means available. First we seek out competent dealers. If we can't get the right kind of distributor we may go in with a store * * * We're after all the tire business we can get."

To get business, research-minded Goodrich undertakes extensive tire testing & development. For instance ten years ago it pioneered the tubeless tire which now accounts for about half of total industry tire sales.

Like most tiremakers, Goodrich drives in both lanes in the current tire yarn controversy between nylon and Tyrex (high-strength rayon). But while it produces tires with both these yarns, GR now tests a third-lane approach: as-yet-experimental wire-ply tires which are strengthened by "overheads" or rigid wire hands under the tread.

Another new track: Ameropol, the GR version of synthetic "natural" rubber. "Our associate Goodrich-Gulf could produce it now at prices nearly competitive with crude natural rubber. There's still some raw materials [isoprene] chemistry to be worked out whether we make it by the chemical or the petroleum route."

Goodrich is not banking solely on test tubes for its natural rubber needs. Four years ago it opened a plantation in Liberia, this year will plant another 3,500 acres for a total of 10,000 acres under cultivation. President Keener schedules: "We should have some production by 1961 but we won't be a substantial producer of natural rubber until 1967 or 1968." Future plantings however will depend on the synthetic rubber situation. "An efficient plantation can now produce at a lower cost per pound than that for any synthetic. But the key to future plans lies in the relation of increasing wage rates in rubber growing areas to the cost of petroleum fractions used to make synthetic rubber."

Major Interests. Like others in the industry Goodrich also has important overseas interests in manufacturing plants. Judges globe-conscious Keener: "Our overseas business is an important part of our operation." Unlike Firestone and Goodyear however, B F Goodrich has traditionally accepted a minority interest rather than majority control and only the dividends and technical fees from foreign ventures show up on GR statements. However Goodrich will hold the majority stock in three new tire plants in Australia, Brazil and Iran and a new synthetic rubber company in Holland.

Ward Keener insists: "US business is pricing itself out of foreign export markets. So if you are inter-

ested in the export market you have to manufacture abroad." This may well prove to be a profitable necessity. Industry growth rate abroad is 6-to-8% a year compared to 3-to-4% rate in the US.

To accommodate expansion both here and abroad, Goodrich is currently in the midst of a five-year, $200,000,000 expansion program started in 1956. The program is planned "generally over the whole company." Some projects: a rubber chemicals plant at Henry, Ill; chemical expansion at the Calvert City, Ky plant for acrylonitrile and vinyl chloride monomers; a tire cord plant at Exeter, Pa; an adhesives plant in Akron. Also new Goodrich-Gulf facilities, more factories abroad, etc.

Last year expenditures were below the projected level, came to only $27,600,000 *v* depreciation of $21,300,000. According to Ward Keener: "When you just spend depreciation you're walking backward." This year GR expects to step up spending in line with the five-year target. No new financing is foreseen: "Expansion will be paid for within the foreseeable future in accordance with the company's policy of utilizing funds generated by the business."

Thanks to this philosophy the Goodrich balance sheet is somewhat less complicated than those of some competitors. There is only $43,800,000 in long-term bonds & notes ahead of the 9,000,000 common shares. To keep it conservative, Goodrich has kept common dividend payout in the last decade to an average of 37% of earnings, currently pays 55¢ a quarter. Based on the recent Big Board price of 90 (an all-time high) this makes for only a 2.4% yield. Queried on 1959 dividend policy, Ward Keener replies: "The cash dividend rate will depend on how well we do in 1959. We believe in establishing a rate we can maintain in good times and bad."

As for 1959 results in general, bridge enthusiast Keener ("I play golf very poorly, bridge pretty well") counts up the points and bids: "At business levels equal to or better than those prevailing in the fourth quarter of 1958, B F Goodrich should experience a good year in 1959. We have improved costs substantially and our profit elasticity factor will be working in our favor." If the levels of the fourth quarter which produced whopping earnings of $1.35 a share keep up this could mean a very good year—with profits possibly even passing the previous peak of $5.26 reported in 1955.

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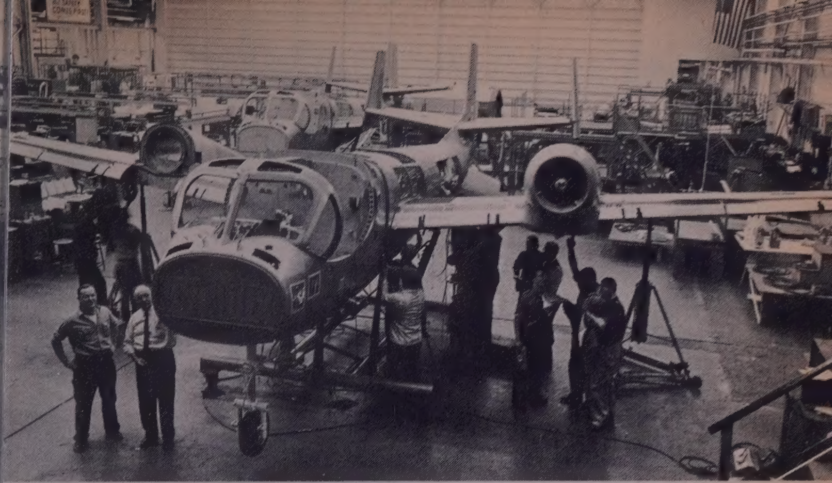

FIELD FLYER

Meet the Mohawk, the Army's new observation and surveillance field plane. This slightly snub-nosed turboprop is almost ready to roll off the production line at Grumman Aircraft Engineering Corp. It is one of nine prototypes ordered by the Army last Spring. A $22,000,000 order for 35 more last month brings total Mohawk contracts up to $38,000,000.

The Mohawk represents the first Army contract for Grumman, primarily a Navy contractor, which turns out the carrier-based F11F-1 Tiger jet fighter, F9F-8T Cougar two-seat jet fighter trainer, TF-1 Trader cargo-passenger plane, WF-2 Tracer early warning plane and S2F-1 Tracker anti-submarine craft. Under development are the more advanced W2F-1 and S2F-3 (a $22,000,000 "follow-on" contract was awarded last month) as well as the A2F-1 jet attacker. As a first big step into missiles the company has teamed with Bendix Aviation to develop the Navy's air-to-air Eagle.

Two years ago Grumman re-entered the commercial market (it had bowed out in 1950) and started development of its Gulfstream executive turboprop transport for which it now has 40 orders and the Ag-Cat, designed for crop dusting and other farm uses.

The return to commercial work has been costly and heavy write-offs (over $2 a share in 1958) caused net income to plummet to $2,500,000 or $1.13 a common share from $5,235,000 ($2.38) in 1957 and $3.50 in 1956. The dive came despite a last year's sales surge of almost 10% to $225,000,000. But all things considered, Grumman president Leon A Swirbul cited 1958 as "one of the best years in our 29-year history. Our total sales * * * represent the highest gross in any non-war year * * *." And the heavy Gulfstream development costs "will begin to show a return in sales in 1959 with production models now coming off assembly lines."

MAN OF PARTS

Ever notice the look on the face of a new investor? Proud, a trifle smug perhaps, smarter (if not holier)-than-thou.

And yet—can you blame him?

In paying his money and taking his choice of all the thousands of stocks on the market, he has done far more than buy a share in a company. He has become a man of parts, a capitalist. He has given himself the gift of great expectations.

What's more, he has faced the fact that risk is inherent in financial matters as in life itself and decided that the probability of gain outweighs the possibility of loss—if he invests with care, keeping his objective firmly in mind.

Of course, his air of superiority can be pretty tiresome. And his sudden interest in the financial news and the way he sprinkles his conversation with terms like "dividends" and "book value" can prove annoying, too, when you'd rather talk shop or sports.

But there's one sure way to give that new investor his comeuppance and do yourself some good at the same time, and that is by becoming a share-owner yourself, sharing both the conversation and the profits.

Want to know how to start? Ask for our booklet "How to Invest in Stocks and Bonds." It's clear, it's readable, and it's free.

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